



Bengaluru Residential Market Watch



In this report, we focus on the premium residential segment.

ECONOMY ROUND-UP

- India has continued to demonstrate strong resilience to global uncertainties in the first half of 2023 aided by supportive domestic demand conditions. This is evident by the impressive GDP growth of 7.2% in FY23 and the growth projection for FY24 at 6.5%.
- The central bank has played a commendable role in walking the

tightrope between inflation and growth. Although there has been a 250 bps increase in benchmark lending rates since early 2022, the hikes have been gradual and well-spaced out ensuring minimal impact on consumption, demand, and overall liquidity in the market.

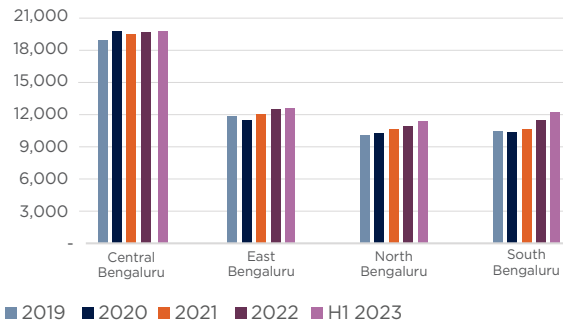
- Domestic inflation dropped to the lowest in 25 months, with May 2023 registering a 4.25% growth. The RBI's inflation projection for FY24 currently

stands at 5.1%, well within the tolerance zone of 2-6%.

- The limits on capital gains through reinvestment in residential property were announced in the Union Budget FY24 which contributed to increased registrations of high-end properties, with investors trying to maximise gains from the erstwhile unlimited deduction benefit.

PRICE TREND

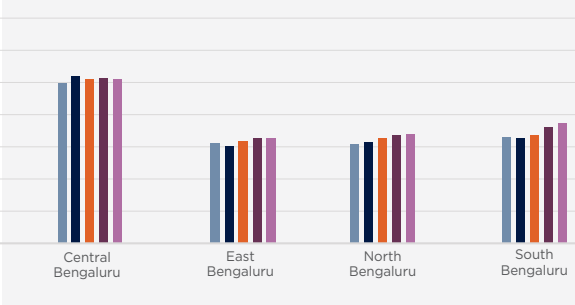
Average Capital Value for Completed Properties (INR per sq. ft.)



Source: Savills India Research

- Bengaluru's premium residential market witnessed notable growth in capital values over the year. Under-construction projects saw a relatively higher growth averaging to 4.3% YOY compared to about 2.9% YOY increase in newly completed projects.
- The number of new launches fell by 30.3% YOY in H1 2023. Most developers are seeming to focus on clearing the existing inventory in order to maintain their market share and positioning for future growth.
- North Bengaluru witnessed the highest capital value appreciation in under-construction projects averaging 7-8% compared to other markets that witnessed an average increase of 1-4%.

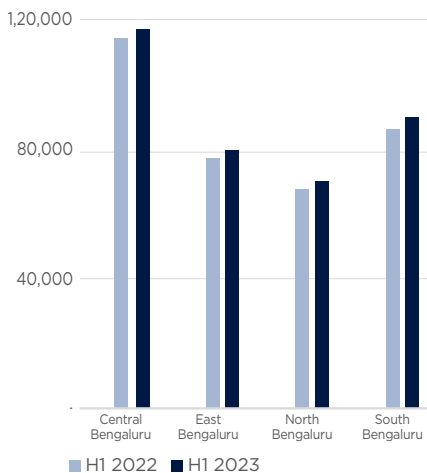
Average Capital Value for Under-Construction Properties (INR per sq. ft.)



- South Bengaluru saw a similar increase in the prices of under-construction and newly completed projects of about 4-5% YOY in H1 2023. However, select ready properties of reputed developers such as Brigade, Prestige, Sobha and Sattva in the region, have witnessed a price appreciation of 8-10% owing to high demand.
- The launch of the metro route connecting KR Puram-Whitefield in March¹ boosted the city's eastern side, with capital values increasing by an average of 4.4% YOY in the under-construction projects.
- Majority of end-users are preferring immediate occupancy and ready-to-move-in properties as the hybrid work model has become more popular.

RENTAL TREND

(INR per month)



Source: Savills India Research

- South and North Bengaluru saw a significant growth of 4% YOY in rentals in premium residential developments.
- Professionals who moved out of the city during the pandemic have returned since it has abated, to resume work out of the office in a hybrid setup. This has led to an increase in demand for residential properties, which in turn drove up rents.
- The rental market for premium housing in Central Bengaluru is robust, with rents that are significantly higher than the average rents in the other micromarkets. However, luxury properties in select pockets (Koramangala, Indira Nagar, MG Road, etc.) command a much higher rental value as compared to the average rentals in the city.

BENGALURU MICROMARKETS

Central Bengaluru: Lavelle Road, Palace Cross Road, Cunningham Road, Frazer Town, Benson Town, Richards Town, Ulsoor Road, Richmond Road, Sankey Road

South Bengaluru: Koramangala, Bannerghatta Road, JP Nagar, Banashankari, Jayanagar, Basavangudi, HSR Layout, Sarjapur Road, Kanakapura Road

East Bengaluru: Whitefield, Old Airport Road, Indira Nagar, Domlur, Bellandur

North Bengaluru: Hebbal, Jakkur, Devanahalli, Yelahanka

¹ <https://shorturl.at/rtH24>

KEY TRANSACTIONS

Transaction: Sale
Location: Koramangala
Asset Type: Independent House
Area: 6,950 sq. ft.
Asset Description: Includes land plus built-up space
Price: INR 27.6 Crore

Transaction: Sale
Location: Koramangala
Asset Type: Independent House
Area: 5,023 sq. ft.
Asset Description: Includes land plus built-up space
Price: INR 20.9 Crore

Transaction: Sale
Location: Kodihalli
Asset Type: Apartment
Area: 5,957 sq. ft.
Asset Description: Unit in Embassy Grove
Price: INR 17.2 Crore

Source: Savills India Research

YOY COMPARISON

3,157 units
H1 2022

2,200 units
H1 2023

With 2,200 units launched in H1 2023 in the premium segment, Bengaluru saw a 30.3% YOY decline reflecting the cautious approach of developers. South Bengaluru accounted for 47% of the new launches while East Bengaluru contributed 45%.



OUTLOOK FOR H2 2023

- The completion of infrastructure projects such as Metro Rail Phase 2² and Airport link³ is expected to boost the real estate potential. With metro connectivity getting extended, capital and rental values of premium properties in the regions are expected to increase by 10-15% in the upcoming 1-2 years. New high-end projects supply infusion over the next 2-3 years offering a wide range of options for luxury living in the localities of Sarjapur Road, Whitefield, and Devanahalli will further enhance the attractiveness for premium buyers.

Notes:

- Capital values are reflective of properties priced INR 2 crores and above
- Average capital value for projects is the quoted base price on saleable area
- Average quoted rentals are for 3-BHK apartments
- The quoted capital and rental values for the current year are as of June 2023

- The Karnataka government is proposing to increase the guidance value of properties by 15%. This is likely to impact the market value and registration volume⁴.
- Demand for spacious homes is expected to drive demand of plotted developments in the northern suburbs of the city. This is due to the flexibility of customisation in construction and the potential for future home expansion.

² <https://shorturl.at/jnAY3>

³ <https://shorturl.at/bmPR6>

⁴ <https://shorturl.at/tBGV2>

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